



*1000 River Street
Mail Stop 966B
Essex Junction, VT 05452*

April 4, 2008

Ms. Susan M. Hudson, Clerk
Public Service Board
Chittenden Bank Building
112 State Street
Post Office Drawer 20
Montpelier, VT 05620-2701

Via Electronic Mail

Re: IBM Comments on Budget Estimates to be Used by EEU for 20-Year Forecast

Dear Ms. Hudson:

International Business Machines Corporation (IBM) provides the following comments in response to the Public Service Board staff request of March 12, 2008 regarding budget assumptions to be used by the Energy Efficiency Utility (EEU) in preparation of its 20-year forecast of energy efficiency savings.

IBM recommends that the EEU assume funding at current budget levels throughout the planning period. The increase in the EEU budget over the last three years represents a significant ongoing investment in demand-side management. Results from this level of investment have yet to be fully realized, as the EEU is still ramping up its capacity to utilize these funds. It is reasonable to expect that future gains in energy efficiency will be greater than those so far obtained at this higher budget level.

When the current EEU budget was under consideration by the Board, several businesses and business associations submitted joint comments (May 3 and May 17, 2006) outlining concerns and recommendations for future funding of the EEU. The thrust of those comments is equally valid today. Electric rates in Vermont remain high in comparison to IBM's competition, and fuel oil prices have escalated dramatically. Increasing the EEU budget would further disadvantage Vermont businesses, which already operate in a high cost environment. Businesses need the flexibility to balance their energy efficiency investments with other capital investments to stimulate growth in this difficult competitive environment.

As energy prices increase, all customers have a stronger economic incentive for conservation. This should reduce the incentives needed from the EEU to obtain demand side resources. Increasing efficiency benefits are also expected from long term measures

such as improvements in building codes. The EEU should plan for and measure continuous improvement in cost effective delivery of energy savings, through both program innovation and administrative cost control. Success in this regard should be strongly tied to compensation for the EEU through clear performance metrics.

IBM supports geographical targeting as a means of minimizing transmission system costs, for the benefit of all ratepayers. Geo-targeting and demand response activities in support of least cost planning objectives should be included in the EEU's 20-year plan, and should be contained within the current budget total.

IBM appreciates the opportunity to offer these comments. If you have any questions, you may contact me at jmdoyle@us.ibm.com or 769-4706. Thank you for your consideration.

Sincerely,

Janet Doyle

Janet Doyle
Energy and Environmental Programs

cc: EEU E-mail Service List